

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7186**

**BILL NUMBER:** SB 595

**NOTE PREPARED:** Jan 12, 2011

**BILL AMENDED:**

**SUBJECT:** Public assistance administration.

**FIRST AUTHOR:** Sen. Broden

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** *Public Assistance Provisions:* This bill requires the Office of the Secretary of Family and Social Services (FSSA) to ensure that public assistance services are: (1) provided in a timely and safe manner; (2) provided in accordance with state and federal law; and (3) appropriate to the needs of the individual. The bill imposes various requirements on the Division of Family Resources (DFR) concerning the provision of public assistance services. It also requires reimbursement to public assistance providers in a timely manner.

*Medicaid Medical Review Team Provisions:* The bill prohibits DFR from denying public assistance services for an individual on the sole basis that a medical review team has failed to render a decision regarding the individual.

*Office of Quality Control (OQC):* The bill establishes the Office of Quality Control (OQC) within DFR, and sets forth the OQC's duties.

*Projections of Costs and Savings:* The bill requires the FSSA to: (1) with the assistance of the Budget Agency, project the costs and savings of required changes; and (2) annually report in writing to the Budget Committee and the Legislative Council on the status of implementing the required changes.

**Effective Date:** Upon passage; July 1, 2011.

**Explanation of State Expenditures:** *Summary:* The following provision is expected to have a fiscal impact: Fraud protection units in each county office are estimated to require about \$2.7 M in advance of potential federal and state savings.

*The following provisions are expected to have an indeterminate fiscal impact:*

Establishment of the Office of Quality Control.

State-employed caseworkers.

Medicaid Medical Review Team determinations.

Records requirements.

Billing requirements.

*The following provisions may have a fiscal impact:*

Presumptive eligibility allowed for caseworkers and AAAs.

Application form requirements.

The fiscal impact is indeterminate with regard to many requirements of the bill since the county DFR offices are currently being operated under three models (Hybrid model, modernized model, and “as is” model), pending the final rollout of the hybrid system by DFR.

#### *Additional Details-*

*Fraud Provisions:* The bill requires the DFR to maintain a fraud protection unit in each of the 92 county offices. This provision would require at least one employee or contractor in each county office regardless of the volume of applicants in the office. The total personal services cost of adding 92 full-time investigator positions and 8 supervisory positions would be approximately \$5.3 M. The state General Fund share of the cost would be about \$2.7 M. This estimate does not include office space or furnishings, equipment, supplies, computers, phones, or travel expenses. The costs would need to be funded in advance. The provision is expected to result in an unknown level of savings from recipient fraud detection and elimination, as well as recoveries of federal and state public assistance benefits from recipients. (Currently, the Attorney General’s Office operates the Medicaid Provider Fraud Unit.)

*Office of Quality Control:* The bill establishes the Office of Quality Control to establish, implement, and monitor minimum standards for training and evaluating caseworkers. It is not known at this time how much of this requirement is currently performed by existing state staff and by any contractor’s staff. This provision would require at a minimum, a reorganization of the existing DFR staff. With the addition of more state-employed caseworkers as provided by the bill, any additional resources necessary to perform the required work would have to come from existing appropriations. It is not known at this time if resources above the level of the existing contract and budget would be necessary to transition the privately contracted services to operation by the state.

*Caseworker Provisions:* The bill requires the DFR to employ individuals with bachelor’s degrees as state caseworkers. An assignment of a caseworker to an applicant would be required to assist an individual from the initial application process through the time the benefit is provided and for any subsequent redetermination of benefits. The bill would also allow caseworkers to interact with applicants in the applicant’s residence or location, such as a hospital or nursing facility. DFR would be required to hire a sufficient number of employees to maintain the ongoing workflow of the eligibility process, phasing out the use of contracted employees by the end of FY2013. The resources necessary to perform the required work would come from existing appropriations. It is not known at this time if resources above the level of the existing contract and a proposed budget would be necessary to transition the privately contracted services to operation by the state.

*Medicaid Medical Review Team Provisions:* The bill provides that DFR may not deny public assistance services to an applicant on the sole basis that the Medical Review Team (MRT) has failed to make a decision

on the applicant's medical eligibility for Medicaid. This provision appears to be a defacto provision of presumptive eligibility since services could be provided to an individual that might later be determined to be ineligible for failure to meet the Medicaid medical eligibility requirements. The cost of this provision would depend on OMPP actions related to providing the resources necessary to address any backlog of applications awaiting review by the MRT and the resources needed by the MRT to continue to process the applications going forward on a timely basis. This provision does not distinguish between an initial MRT review, and an applicant that may be appealing a decision. Nor does it provide for circumstances under which the required information has not been provided to the MRT. Potentially, this provision could result in the provision of services for persons later found to be ineligible for Medicaid. The bill does not specify the party responsible for payment in this circumstance.

*Applicant Records:* The bill requires the DFR to maintain specified records in the case file of each applicant in the county office of the recipient's residence. The bill does not distinguish if the file must be a paper file or an electronic file. The status of the conversion of all recipient case files to an electronic medium and the location of county records is not known at this time.

The bill also provides that the DFR may not charge an applicant for a copy of a report regarding the applicant that was prepared by the Medical Review Team or the DFR. The bill further provides that the DFR may not charge an applicant for a complete copy of the entire public assistance file, including medical records maintained on the applicant if an appeal of a determination is being made. The volume of copies these provisions would involve and the copy charges currently collected is not known at this time.

*Presumptive Eligibility:* The bill provides that a caseworker or a representative of an Area Agency on Aging may determine presumptive eligibility for services when allowed by the Medicaid State Plan. It is not clear if this provision would apply to all presumptive eligibility determinations such as for pregnant women or others.

*Projections of Costs and Savings:* The bill requires FSSA to identify administrative changes necessary to implement the provisions of the bill upon passage. The bill also requires FSSA and the Budget Agency to project the necessary costs, staffing levels, and savings that result from implementation of the bill. The bill also provides that FSSA to use the projected staffing projections to adjust staffing levels in accordance with the requirements of the bill. This provision would appear to be an open-ended funding requirement. However Budget Bills would supercede this provision.

#### *Background Information:*

**Fraud Unit Provision:** At the time of the transfer of the public assistance administration function from the counties to the state, many county offices included this function. Fraud investigators frequently had law enforcement backgrounds. This was also before the advent of the automated eligibility system and the resulting opportunity to do automated cross checks of applicant information with other data bases. Over time, fraud investigation positions have been eliminated in the individual offices. FSSA maintains a central Investigations Unit of 25 employees for the entire agency. The Modernization Project addressed fraud detection proactively through the increased use of automated edits and data matching with various other data bases, and by splitting the applicant data intake function from the determination of eligibility for benefits.

The bill requires 92 fraud protection units; assuming that this would minimally require at least one fraud investigator in each office to be paid \$35,000 annually, the total salary expense would be \$3.22 M. The

associated employee benefit expense would be \$1.53 M.

Additionally, 8 regional supervisors are assumed to be required at an annual salary of \$50,000. The associated salary expense would be \$400,000, and the employee benefits would be \$156,500.

The total personal service expense is estimated to be \$5.3 M. Administrative expenses in each of the public assistance programs is shared 50/50 with the federal government so the total state General Fund impact for the personal services is estimated to be \$2.7 M. This estimate does not include office space or furnishings, equipment, supplies, computers, phones, or travel expenses.

**Explanation of State Revenues:** The fraud provisions in the bill could increase recoveries of federal and state public assistance benefits.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** FSSA, DFR; and State Budget Agency

**Local Agencies Affected:**

**Information Sources:** State Staffing Table.

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